



MANAGING AN INHERITANCE

Most of us would rather not think about the death of a loved one, although, like paying tax, it is inevitable. But what happens when you are a beneficiary in a deceased estate?

Someone will be appointed to gather the assets of the deceased person pay their debts and distribute the balance amongst their beneficiaries. If they had a will, the executor appointed in the will does the job according to the deceased's wishes. If they died intestate (without a will), an administrator is appointed to do the job according to the formula set out in each State's Succession Act.

As there are no death duties in Australia, death itself does not incur any extra tax. However, if you inherit an asset and then sell it you may be up for Capital Gains Tax (CGT). One of your aims as a beneficiary will be to minimise or avoid this tax.

The family home

Normally the family home is exempt from CGT. The same applies if you inherit a family home provided you sell it within two years. Outside of this period, you would be assessed on the increase in value since the date of death.

Valuing assets

If you inherit assets such as property, shares and other investments, you may be liable for CGT if you sell them. Just how much depends on when they were bought. You can save money and hassles by finding out their purchase price or their value at the date of death.

Estate tax and your tax

In the year of death, two tax returns are required – one for the deceased person up to the date of death and one for the estate for the rest of the year. Both tax returns qualify for the full tax-free threshold. Less tax may be payable if the estate sells an asset and gives you the cash rather than you getting the asset and selling it.

If you are a beneficiary it will pay you to take an active interest in how the estate is administered. Your financial adviser can guide you through this minefield safely.

Footnote:

Do you have an up-to-date will? Remember dying intestate means state laws decide who gets your money and your beneficiaries may be inconvenienced with delays and disruption.

Helping you build yours.

